

Testimony of Congressman Peter J. Visclosky

June 19, 2003

ITC Section 332 Consuming Industry Impact Study

Madame Chairwoman and members of the Commission, I appreciate the opportunity to testify before you today regarding the impact of the President's steel tariffs on domestic steel consumers. Let me begin by saying that this is not a question of helping American steel producers at the expense of American steel consumers. Consumers certainly deserve a fair shake, and if the President's tariffs were constricting steel supply to a point where they could not meet their production needs, there would certainly be cause for worry. At the same time, U.S. steel producers deserve the protection of American trade laws, which are designed to protect against the very situation that we still face today: an entire industry is jeopardized by a flood of low-priced imports. Further, the bottom line is that competitively priced steel is readily available on the U.S. market. In short, steel supply continues to be more than adequate to meet the needs of American consumers.

It is important to keep perspective in an investigation of this sort. Currently, *seventy-nine percent* of imported steel products are not covered

by the Section 201 tariffs. All developing countries are excluded from the tariffs, as are all NAFTA countries. The President also afforded foreign producers a full opportunity to participate in the 201 product exclusion process, which resulted in over one thousand specific product exemptions to the tariffs. As one might expect, these country and product exclusions have ensured that imports remain robust. In fact, steel imports have increased since the Section 201 tariffs. There was an increase in the steel imports of eight percent in 2002.

Beyond import availability, steel constitutes a very small portion of the cost of steel-containing products. Less than three and a half percent of the cost of motor vehicles and parts, for example, comes from steel. So, while import surges of low-priced steel have devastated the domestic steel industry, providing import relief in this area does not have profound effects on U.S. consumers. American steel continues to be high-quality and low-cost, and is a superior value for U.S. consumers. For example, U.S. Midwest and Gulf Coast hot-rolled prices are lower than those in Germany, France, Italy, and Spain, and are *well* below Far East import prices. Similarly, U.S. Midwest/Gulf Coast prices for cold-rolled sheet are below prices in all European countries except Spain and, again, well below Far East import prices. The same is true for prices for hot-dipped galvanized

coil, which are lower than those in Germany, the UK, and the Far East.

Further, the price of American steel products as of January 2003 was on par with 20-year averages or below 20-year averages. American steel producers are able to produce at these prices because the U.S. industry is at the top tier of labor efficiency, needing just 3.6 man-hours to produce one ton of steel.

Just as the President intended when he launched the Steel Program, the industry is taking decisive action to increase its competitiveness by restructuring and rationalization that is improving its productivity. This restructuring is of great consequence as an economic study, that I understand will be presented to the Commission in this proceeding, and demonstrates that the continuation of the steel safeguard measures will result in a significant net welfare effect on the U.S. economy.

The study shows that even modest improvements in the domestic industry's productivity result in substantial net benefits to the economy. These benefits range from \$2.7 billion to \$4.9 billion, depending on the assumptions that are made with regard to the industry's labor productivity increase. This increase in productivity is important because it results in benefits to both steel producers and steel consumers as increased productivity translates into lower prices to the consumer. The study also highlights that the safeguard measures, due to the increase in demand for

domestic steel, stop the disorderly downsizing of the domestic industry and allows it to restructure itself so that it can better compete against low-priced foreign steel imports in the future.

To finish, I would urge the Commission to consider both sides of the equation, and to remember that the continuation of the 201 tariffs is not a zero-sum game. Domestic steel consumers have not faced an appreciable restriction of imports, and domestic producers have consistently produced high-quality steel at competitive prices. At the same time, our American steel producers are still reeling from past import surges, and deserve the protections that Section 201 was designed to afford. The President's 201 remedy plan was an important step toward solving the problems inherent in the U.S. and global steel markets, but that remedy must be allowed to run its course. Withdrawing the 201 tariff protections prematurely would be a devastating blow to U.S. steel without basis in the current supply and price scenario that domestic consumers face.